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## Mexico

### Agricultural Situation

### Weekly Highlights and Hot Bites #22

2006

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**Report Highlights:**

- NO CHANGE TO NAFTA ON CORN AND DRY BEANS
- U.S. REJECTS MEXICO'S REQUEST TO RENEGOTIATE NAFTA
- THE UNITED STATES REJECTS REVISING THE AGRICULTURAL CHAPTER OF NAFTA
- CNC INSISTS ON RENEGOTIATION OF THE AGRICULTURAL CHAPTER IN NAFTA
- ORGANIC AGRICULTURE AN ALTERNATIVE TO PRODUCERS
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- THAIANESE RICE REACHING MEXICO THROUGH THE UNITED STATES
- MEXICO, THE WORLD'S LARGEST IMPORTER OF DAIRY PRODUCTS

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1]  
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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### **NO CHANGE TO NAFTA ON CORN AND DRY BEANS**

The governments of Mexico and the United States ratified that they will not modify the terms of the North Free Trade Agreement (NAFTA) on corn and dry beans, whose liberation is scheduled for January, 2008. Nevertheless, both governments said that they will contemplate changes to their national sugar programs. Mexico's Secretary of Agriculture, Francisco Mayorga, and the USDA Undersecretary, J. B. Penn, said that neither partner has any interest in renegotiating the corn and dry beans provisions of the agreement, but they are beginning discussions of technical collaboration in both grains. (Source: El Financiero and El Universal; 06/11/2006)

### **U.S. REJECTS MEXICO'S REQUEST TO RENEGOTIATE NAFTA**

The U.S. rejected Mexico's request to renegotiate the opening of its corn and beans markets in 2008 under the North American Free Trade Agreement, saying the 1994 pact cannot be changed. "This agreement was entered into many years ago," USDA Under Secretary J.B. Penn said at a press conference Friday in Mexico City after meeting with Mexican Agriculture Minister Francisco Mayorga. "It's been a very good agreement and we're looking forward to seeing it fully implemented." Mexico will comply with all NAFTA provisions, Mayorga said. He had asked the U.S. and Canada last month whether it would be possible to slow the opening of corn and beans markets under NAFTA. The executive director of Mexico's National Confederation of Small Farmers said that exposing Mexican corn and beans farmers to free trade will increase illegal immigration to the U.S. because they cannot compete. (Source: Bloomberg 6/9)

### **THE UNITED STATES REJECTS REVISING THE AGRICULTURAL CHAPTER OF NAFTA**

The United States will not revise nor renegotiate the agricultural chapter of NAFTA, stated the Undersecretary of Agricultural, J. B. Penn. The U.S. government responded negatively to the missives of the Mexican Government to stop the total opening of beans and corn in 2008. In a joint press conference, Secretary of Agriculture, Francisco Mayorga, revealed that the request was sent because it was promised by the government under the National Agreement on Agriculture, but that Mexico also was not interested in discussing this point, because, "...on multiple occasions we have expressed our determination to honor the

promises that were signed between the two countries on this matter." (6/10/06, *La Jornada*)

### **CNC INSISTS ON RENEGOTIATION OF THE AGRICULTURAL CHAPTER IN NAFTA**

The National Farmer's Confederation (CNC) insisted that the agricultural chapter of NAFTA be renegotiated. CNC President, Hilario Ramirez, claims that the agreement has caused the loss of 2.5 million rural jobs, the migration of 2 million persons to the United States, and increased dependency on food imports because agricultural production fell by 50 percent. Ramirez further claims that corn imports have gone up 15 times since 1993 and that illegal imports of beans are calculated at 200 thousand tons, three times the tariff-rate quota. Ramirez stated that it is not enough for both governments to express cooperation and technology transfer as simple desires, but that Mexico needs a policy of transition to confront a de-capitalized agricultural sector. (6/11/06, *Milenio*)

### **ORGANIC AGRICULTURE AN ALTERNATIVE TO PRODUCERS**

A report from the Secretariat of Agriculture indicates that organic agriculture has been an excellent alternative for more than 80,000 producers in Mexico because it allows them to increase the price of their product by about 40 percent. According to the report there are some 300,000 hectares of organic agriculture in Mexico, and it is estimated that 80 to 90 percent of the organic production is export oriented. Produce is exported mainly to the European Union, United States, and Canada for about \$250 million dollars. The main organic products in Mexico are: coffee, aromatic herbs, horticultural products, cocoa, grapes, coconut, corn, avocado, mango, pineapple, bananas, apples, aloe vera, and medical plants. The main producer states of organic products are; Chiapas 30%, Oaxaca 18%, Queretaro 10%, Guerrero 6% and Tabasco 6%. (Source: *Excelsior* 06/06/06/)

### **PRESSING TO ENTER MEXICAN MARKET**

U.S. sugar growers petitioned the Bush administration to force Mexico to comply with its 12-year-old pledge to open its market to some U.S. imports. In a June 2 letter to U.S. Agriculture Secretary Mike Johanns, representatives of the sugar growers stated that Mexico has not fulfilled its obligations under the NAFTA to allow in 7,258 metric tons of duty free U.S. sugar each year. U.S. growers, who are protected by quotas and a guaranteed price floor by the government, had largely ignored Mexico's noncompliance in the past because the nation was not seen as an attractive export market. Now, U.S. growers say increased consumption and limited supplies in Mexico have made the market more attractive. "Current sugar supplies and prices in Mexico present attractive opportunities for U.S. producers," the letter stated. Global prices were at 25-year highs early this year because of demand for sugar as a source of ethanol in Brazil, and hurricane damage to U.S. crops last year. The average price for sugar in Mexico from 2000 to 2004 was higher than in the United States, according to the American Sugar Alliance (ASA). U.S. growers say they have also grown concerned that Mexico may ignore a more critical pledge it made in 1994 to end all import quotas and tariff restrictions on sugar starting in 2008. It is the first time U.S. growers have worked to open an export market, according to Jack Roney, ASA's economics director. (Source: *El Universal*; 06/08/2006)

## **MEXICO SIGNS ACCORD WITH ARGENTINA**

Mexico and Argentina signed an extended trade and investment agreement Thursday June 7, 2006, thereby increasing the number of products given preferential tariff treatment by the two countries. The deal covers agricultural goods, chemical products, machinery and tools, plastic products, rubber, metals and electrical goods, stated Mexico's Secretariat of Economy (SE). SE pointed out that the bilateral agreement, along with an automotive-sector accord, contributed to 17 percent growth in trade between the two countries last year to nearly U.S. \$1.8 billion. Mexico is a member of the North American Free Trade Agreement, while Argentina is in the Southern Cone trade bloc known as Mercosur. The trade officials said the agreement also opens the door for Mexico to someday join Mercosur, which also includes Brazil, Paraguay, and Uruguay. On Sunday, Foreign Relations Secretary Luis Ernesto Derbez will begin a five-day trip to South America to push for Mexico's inclusion in Mercosur. (Source: El Universal; 06/08/2006)

## **THAI LANESE RICE REACHING MEXICO THROUGH THE UNITED STATES**

According to a local newspaper, Thai representatives have acknowledged that Thai rice is being transshipped into Mexico through the United States in order to avoid significant tariffs and non-tariff barriers. The Thai Ambassador to Mexico, Ravee Hongsaprabhas, admitted that his country exports rice to the United States, and from there re-exports to Mexico, thus avoiding the high tariffs placed by Mexico on rice imports from Thailand. (Source: Reforma, 06/12/06)

## **MEXICO, THE WORLD'S LARGEST IMPORTER OF DAIRY PRODUCTS**

According to the Mexican dairy sector, the liberation on imports of dairy products into Mexico has limited the competitiveness of national producers, and has led to a commercial deficit in the sector, thus making Mexico the world's largest dairy products importer. The experts consider that the granting of import quotas (cupos) by the Secretariat of Economia has generated an excess supply since the largest industrial users and processors have stopped buying domestically produced milk due to the lower price of imported dairy products. Currently, in the NAFTA, of the 25 tariff classifications on dairy products, 22 of them have zero duties. Among the products with zero duties are cheese, yogurts, milk, whey, and butter. (Source: El Financiero, 06/12/06)

## REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX6043	Weekly Highlights and Hot Bites #21	6/2/06
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MX6041	Weekly Highlights and Hot Bites #19	5/19/06
MX6040	Coffee Annual	5/15/06
MX6039	Dairy Semi-Annual	5/15/06
MX6038	Weekly Highlights and Hot Bites #18	5/15/06
MX6037	Cotton Annual	5/12/06

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